

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 DODE-00 PA-02 PRS-01
/100 W

-----211024Z 021867 /20

P R 210847Z MAR 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 3450
TREASURY DEPT WASH DC PRIORITY
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION OECD PARIS

UNCLAS ROME 4541

E.O. 11652: N/A
TAGS: EFIN, IT, IMF
SUBJECT: ANDREOTTI STATEMENT ON RESULTS OF IMF STANDBY TALKS

PASS FRB

1. FOLLOWING IS TRANSLATION OF EXTRACTS OF PRESS
INTERVIEW WITH PRIME MINISTER ANDREOTTI ON MARCH 18
AS PUBLISHED BY MILAN'S /24 ORE/. STATEMENT WAS MADE
FOLLOWING CABINET DISCUSSION OF DRAFT IMF LETTER OF
INTENT WHICH CONTAINS CONTROVERSIAL LOAN CONDITIONS
ESPECIALLY IN LABOR COST FIELD.

2. QUOTE. (THE CABINET DISCUSSION) WAS DESIGNED TO INFORM ALL
OF MY COLLEAGUES OF WHAT TRANSPIRED (DURING THE IMF TALKS)
AND IN PARTICULAR TO DEMONSTRATE THE PERFECT CONSISTENCY
BETWEEN THE LOAN CONDITION AND THE GOVERNMENT'S OWN PROGRAM,
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BOTH ITS INITIAL PROGRAM AS WELL AS THAT WHICH WE HAVE ALREADY
PUT INTO EFFECT, WHICH WE HAVE PRESENTED TO PARLIAMENT AT
DIFFERENT STAGES AND WHICH UP TO NOW THE PARLIAMENT HAS APPROVED.

3. QUOTE. IT IS IMPORTANT TO UNDERLINE THIS FACT BECAUSE
MANY PEOPLE THINK THAT THE MONETARY FUND IS SOME KIND OF ORGA-
NIZATION WHICH INTERFERES IN OUR INTERNAL AFFAIRS AND WHICH

TRIES TO MIX IN ITALIAN POLITICS. THIS IS NOT THE CASE. THE INTERNATIONAL MONETARY FUND IS A BANK, IT ADMINISTERS FUNDS OF ALL ITS MEMBER COUNTRIES AND, IN THE GENERAL INTEREST, WHEN GRANTING LOANS IT MUST BE COMPLETELY SATISFIED THAT CONDITIONS IN COUNTRIES TO WHICH IT GRANTS LOANS ARE SUCH AS TO ASSURE EFFICIENT ECONOMIC DEVELOPMENT AND FINANCIAL EQUILIBRIUM. THIS IS PERFECTLY NORMAL. BY MOVING AHEAD ON THE ECONOMIC STABILIZATION PROGRAM IN RECENT MONTHS, WE HAVE BEEN ABLE TO ACHIEVE SIGNIFICANT RESULTS. IN THE PAST FEW WEEKS WHEN FOREIGN EXCHANGE SAFEGUARD MEASURES HAVE BEEN DISMANTLED, WE HAVE BEEN ABLE TO ASSURE A CALM AND ORDERLY SITUATION IN THE FOREIGN EXCHANGE MARKET. ALL THIS WAS TAKEN INTO CONSIDERATION DURING THE TALKS, SINCE IT IS CLEAR THAT THE STANDBY DOES NOT JUST HAVE AN IMPORTANCE IN TERMS OF THE AMOUNT OF DOLLARS TO BE MADE AVAILABLE TO ITALY, BUT BECAUSE IT IS A KIND OF CERTIFICATE OF ECONOMIC AND FINANCIAL GOOD CONDUCT BOTH FOR OBTAINING THE EC LOAN, FOR ACTIVATING BILATERAL LOANS AND IN GENERAL FOR RE-OPENING A SERIES OF TALKS WHICH ARE NECESSARY TO PREVENT THE ECONOMY'S FALLING BACK INTO DIFFICULTIES.

4. QUOTE. (THIS IS NECESSARY) IN ORDER TO PREVENT RECESSIONARY DEVELOPMENTS AND ZERO GROWTH FROM MATERIALIZING, DESPITE THE STABILIZATION MEASURES, AS HAS BEEN DEBATED IN RECENT MONTHS. ALL THIS REQUIRES A FIRM COMMITMENT, NOT JUST BY THE GOVERNMENT NOR EVEN JUST BY PARLIAMENT. IT REQUIRES THAT THIS POLICY LINE BE CONFIRMED WITH A CERTAIN DEGREE OF FORMALITY. FOR THIS PURPOSE, ON MONDAY I WILL MEET WITH THE PARTY SECRETARIES AND WITH THE PRESIDENTS OF THE PARLIAMENTARY GROUPS IN ORDER TO EXPLAIN TO THEM THE RESULTS OF THESE TALKS AND TO BE CERTAIN
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THAT WE CAN REALLY SPEAK FOR ITALY, NOT JUST IN AN INTERIM WAY, BUT WITH A FIRM COMMITMENT CONCERNING THE IMMEDIATE FUTURE OF ITALY. THIS IS PARTICULARLY IMPORTANT TO ASSURE THE MAINTENANCE OF EMPLOYMENT.

5. QUOTE. UNTIL NOW THE STABILIZATION PROGRAM HAS WORKED. HOWEVER, IF WE ARE OBSTRUCTED AT THIS DELICATE STAGE, THERE WILL BE SEVERELY NEGATIVE CONSEQUENCES. THIS IS AN OPEN DISCUSSION. THE ESSENTIAL POINT IS NOT TO ILLUSIONS THAT WE CAN RESOLVE OUR PROBLEMS WITHOUT A POLICY OF SACRIFICES. THE LETTER OF INTENT IS AN EXPRESSION OF THE POLICY LINE OF THE GOVERNMENT, FOR WHICH I DO NOT BELIEVE THERE IS ANY ALTERNATIVE. END QUOTE.

6. WHEN ASKED IF THE LETTER OF INTENT COULD BE MODIFIED TO ELIMINATE THE "STERILIZATION" OF THE WAGE INDEXATION EFFECT OF THE VALUE ADDED TAX (IVA) INCREASE, ANDREOTTI REPLIED: "THE TWO MUCH DISCUSSED POINTS CONCERNING STERILIZATION OF THE EFFECTS OF IVA ON THE SCALA MOBILE AND DISINCENTIVES TO COMPANY LEVEL WAGE INCREASES ARE TWO ESSENTIAL ELEMENTS OF THE PROGRAM. IN

ADDITION, WE MUST BE CERTAIN THAT, FROM THE OUTSET, THE SOCIAL
PARTNERS, THE POLITICAL PARTIES AND PARLIAMENTARIANS RECOGNIZE
THEM AS TWO ESSENTIAL POINTS. I HOPE THAT THEY DO NOT MAKE
THE MISTAKE OF MISUNDERSTANDING HOW IMPORTANT
THESE TWO MATTERS ARE. END QUOTE.BEAUDRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, POLICIES, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Number: 1977ROME04541
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770096-0082
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770339/aaaabhkw.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 42a8d4b4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3045795
Secure: OPEN
Status: NATIVE
Subject: ANDREOTTI STATEMENT ON RESULTS OF IMF STANDBY TALKS PASS FRB
TAGS: EFIN, IT, IMF, (ANDREOTTI, GIULIO)
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/42a8d4b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009